

Message Text

CONFIDENTIAL

PAGE 01 LONDON 08581 01 OF 02 112217Z

61/51

ACTION EB-04

INFO OCT-01 SS-04 ISO-00 NSC-04 NSCE-00 TRSE-00 FRB-03

INR-01 CIEP-01 CIAE-00 DRC-01 RSC-01 /020 W

----- 091772

R 091830Z JUL 74

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 1940

INFO USMISSION EC BRUSSELS

USMISSION OECD PARIS

C O N F I D E N T I A L SECTION 01 OF 02 LONDON 08581

LIMDIS GREENBACK

----- C O R R E C T E D C O P Y - T E X T -----

PASS TREASURY FOR S.Y. CROSS/F.L. WIDMAN; AND FRB

E.O. 11652: XGDS-1 (DECLAS 7-9-04)

TAGS: EC, EFIN, UK

SUBJECT: U.K. TREASURY VIEWS ON EC FINANCIAL COOPERATION
AND CURRENT INTERNATIONAL MONETARY QUESTIONS

REF:EC BRUSSELS 4422, EC BRUSSELS 4948

SUMMARY: U.K. TREASURY OFFICIALS CONSIDER THAT THIS
WEEK'S EC MONETARY COMMITTEE MEETING AND NEXT WEEK'S EC
COUNCIL (FINANCE) MEETING WILL DEVOTE MUCH ATTENTION TO EC
SUPPORT FOR ITALY. UK MAY NOT BE ANXIOUS TO SEE OUT-
STANDING EC SHORT-TERM CREDITS TO ITALY TRANSFORMED
INTO MEDIUM-TERM CREDITS. JULY 15 FINANCE MINISTERS MEET-
ING WILL BE RESTRICTED SESSION AND WILL ALSO CONSIDER IN-
FLATION. UK HAS NO CURRENT PLANS TO RAISE ANOTHER
OFFICIAL EUROS DOLLAR BORROWING. HAROLD LEVER IS STILL
PUSHING THE LEVER PLAN IN GOVERNMENTAL DELIBERATIONS AND
H.M. TREASURY IS STILL ACTIVELY OPPOSING ANY LINK BETWEEN
THE PRICE OF OIL AND FINANCING OIL DEFICITS. END SUMMARY

1. TREASURY REPRESENTATIVES HAVE HAD CONVERSATIONS WITH
CHANCELLOR HEALEY AND WITH SENIOR U.K. TREASURY STAFF ON
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 LONDON 08581 01 OF 02 112217Z

EUROPEAN FINANCIAL COOPERATION AND CURRENT INTERNATIONAL

MONETARY QUESTIONS. CHANCELLOR HEALEY REMARKED THAT EC COMMISSION HAD ORIGINALLY PUT FORTH FAR REACHING PROPOSALS TO BE DISCUSSED AT JULY 15 EC COUNCIL (FINANCE) MEETING (REF A). HAFERKAMP OF EC COMMISSION HAD VISITED HEALEY, GERMAN FINANCE MINISTER APEL AND FRENCH FINANCE MINISTER FOURCADE, ATTEMPTING TO ORGANIZE MEETING. AS RESULT OF THESE CONVERSATIONS, HEALEY SPECULATED THAT THE EC COMMISSION'S PROPOSALS MIGHT NOT GO FORWARD. HEALEY SAID THE EC FINANCE MINISTERS ARE WORKING WELL TOGETHER, THEY KNOW AND RESPECT EACH OTHER. HE THOUGHT THAT THE JULY 15 MEETING WOULD BE A GOOD WORKING SESSION AT WHICH THE MINISTERS WOULD LET THEIR HAIR DOWN, MUCH OF THE DISCUSSION WOULD CENTER ON WHAT THE EC AND MORE PARTICULARLY WHAT THE GERMANS MAY BE WILLING TO DO TO AID ITALY.

2. UK TREASURY STAFF SOURCE WHO ATTENDED C-20 MEETINGS AND WHO REGULARLY ATTENDS EC MONETARY COMMITTEE MEETINGS REPORTS THAT THE FINANCE MINISTERS SESSION ON JULY 15 WILL BE RESTRICTED, WITH ATTENDANCE LIMITED TO FINANCE MINISTERS, GOVERNORS OF CENTRAL BANKS, PERMANENT REPRESENTATIVES IN BRUSSELS AND ONE OTHER PERSON. FOR THE UK, THE ONE OTHER PERSON WILL BE DOUGLAS WASS, NEW PERMANENT SECRETARY OF THE TREASURY. A MAIN TOPIC FOR DISCUSSION WILL BE INFLATION AND HOW TO DEAL WITH IT, PROBABLY LEAVING ASIDE MOST OF THE OTHER MORE FORMAL AGENDA ITEMS.

3. THESE OTHER AGENDA ITEMS WILL MOST LIKELY BE DEALT WITH AT THIS WEEK'S EC MONETARY COMMITTEE MEETING. THE MAIN ITEM FOR DISCUSSION WILL BE THE ITALIAN SITUATION AND POSSIBLE CONSOLIDATION OF ITALY'S OUTSTANDING SHORT-TERM EC CREDITS INTO MEDIUM-TERM CREDITS. THE UK WILL NOT BE ANXIOUS TO SEE THE SHORT-TERM CREDITS CONSOLIDATED INTO MEDIUM-TERM DEBTS. THE RATIONALE BEING THAT THE UK'S CONTRIBUTION, WHICH SOURCE SAID IS 480 MILLION DOLLARS, WOULD THEREBY BE SHOWN AS A DRAIN ON UK RESERVES AND AS AN ADDITION TO THE GOVERNMENT'S OFFICIAL BORROWING REQUIREMENT. IN WHATEVER AID IS OFFERED TO ITALY, THE UK WILL NOT BE THE FIRST TO VOLUNTEER, BUT WILL LOOK TO GERMANY TO TAKE THE LEAD.

CONFIDENTIAL

CONFIDENTIAL

PAGE 03 LONDON 08581 01 OF 02 112217Z

4. THE UK IS NOT IN FAVOR OF A LARGE SCALE CONCERTED EC BORROWING, BUT IT HOPES TO KEEP ALIVE DISCUSSION FOR LATER MEETINGS. EC COMMISSION STAFF APPARENTLY VERY CONCERNED ABOUT MAGNITUDE OF JULY OIL PAYMENT TO THE ARABS AND HOW TO DEAL WITH IT. OUR SOURCE SAID EC COMMISSION HAD SUGGESTED AN EC INSTITUTION RAISING FROM FIVE TO TEN BILLION DOLLARS, SOME FROM THE MARKETS AT 5 TO 7 YEARS MATURITY AND SOME BORROWED DIRECTLY FROM ARAB STATES WITH

TEN TO TWELVE YEAR'S MATURITY. UK HAS TROUBLES WITH THIS PROPOSAL ON SEVERAL COUNTS. UK CONSIDERS FUNDS PAID TO ARABS WILL REFLOW TO NEW YORK AND LONDON. THERE IS NO

ANNENBERG

CONFIDENTIAL

NNN

CONFIDENTIAL

PAGE 01 LONDON 08581 02 OF 02 091841Z

51

ACTION EB-04

INFO OCT-01 SS-04 ISO-00 NSC-04 NSCE-00 TRSE-00 FRB-03

INR-01 CIEP-01 CIAE-00 DRC-01 RSC-01 /020 W

----- 057841

R 091830Z JUL 74

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 1941

INFO USMISSION EC BRUSSELS

USMISSION OECD PARIS

C O N F I D E N T I A L SECTION 02 OF 02 LONDON 08581

LIMDIS GREENBACK

NEED AT THIS TIME FOR THE EC SCHEME. IN ADDITION, THERE ARE IMPORTANT ISSUES TO BE RESOLVED CONCERNING BY WHOM AND HOW EC REPAYMENT BE GUARANTEED AND HOW THE PROCEEDS OF THESE BORROWINGS WOULD BE APPORTIONED AMONG EC MEMBERS.

5. UK STILL HAS NOT DRAWN ON THE \$2.5 BILLION SYNDICATED BANK LOAN ARRANGED AT TIME OF THE BUDGET AND HAS NO IMMEDIATE PLANS TO DO SO. THEREFORE, IT HAS NO CURRENT PLANS TO MAKE ANOTHER ISSUE ON THE EUROCURRENCY MARKETS WHICH IN THE ABSENCE OF A DRAWDOWN OF THE FIRST LOAN COULD BE VIEWED INTERNATIONALLY AS UK ATTEMPTING TO PREEMPT AN UNFAIR SHARE FROM THIS PARTICULAR SEGMENT OF THE MARKET. SOURCES INDICATE THAT THE UK IS STILL DISCUSSING POSSIBILITY OF DIRECT GOVERNMENT TO GOVERNMENT BORROWING WITH ONE OR TWO MIDDLE EASTERN STATES. (FYI WE ARE NOT ABLE

TWO NATIONALIZED INDUSTRIES HAVE BORROWED DIRECTLY FROM MIDDLE EASTERN COUNTRIES, POSSIBLY IRAN. OUR SOURCES THOUGHT THE DEALS PROBABLY WERE ARRANGED THROUGH A

BANKING INTERMEDIARY.)

6. WE QUERIED POINTS MADE BY PRIME MINISTER WILSON ON
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 LONDON 08581 02 OF 02 091841Z

INTERNATIONAL MONETARY SYSTEM IN HIS SPEECH TO SOCIALIST
INTERNATIONAL (REF LONDON 8298, JULY 2, 1974). REPLY WAS
THAT NOTHING PARTICULAR SHOULD BE READ INTO THE SPEECH,
ALTHOUGH IT CONTAINS SOME ECHOES OF THE LEVER PLAN (SEE
LONDON 6026, MAY 15, 1974). LEVER CONTINUES TO ADVANCE
HIS VIEWS IN UK GOVERNMENT CIRCLES; UK TREASURY CON-
TINUES TO BE ADAMANTLY AGAINST LINKING THE PRICE OF OIL
AND THE FINANCING OF OIL DEFICITS.

ANNENBERG

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: GOLD, PETROLEUM PRODUCTION, FINANCE, MEETING AGENDA, EURODOLLAR MARKET, LOANS, ECONOMIC PROGRAMS, NEGOTIATIONS, MEETINGS, BANK LOANS
Control Number: n/a
Copy: SINGLE
Draft Date: 09 JUL 1974
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974LONDON08581
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: X1 20040709
Errors: N/A
Film Number: D740185-0968, D740183-0657, D740182-0563
From: LONDON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740765/aaaacdwl.tel
Line Count: 190
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: LIMDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: LIMDIS
Reference: C BRUSSELS 4422, EC BRUSSELS 4948, EC BRUEIS 4422, EC BRUSSELS 4948
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 20 JUL 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <20-Jul-2001 by kellerpr>; APPROVED <19 JUN 2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: U.K. TREASURY VIEWS ON EC FINANCIAL COOPERATION AND CURRENT INTERNATIONAL MONETARY QUESTIONS
TAGS: EFIN, EC, UK, EEC, COMMITTEE OF 20
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005